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INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 01419

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: STANDING GROUP ON PRODUCER/CONSUMER
RELATIONS, JANUARY 15-16 SESSIONS

REF: OECD PARIS 1284

1. SUMMARY. SECOND AND FINAL DAYS SESSION OF SPC MEETING DEVELOPED POSSIBLE AGENDA FOR PREPARATORY PROCEDURAL MEETING WITH PRODUCERS; BRIEF LISTS OF AGENDA TOPICS OF POSSIBLE INTEREST TO CONSUMERS AND TO PRODUCERS FOR MAIN CONFERENCE; AND LIST OF OPTIONS FOR SPONSORSHIP OF PREPCON. UNDER DIRECTION OF IEA DIRECTOR LANTZKE, SEPARATE WORKING PARTY OF FINANCIAL EXPERTS (TO WHICH U.S. SENT NON-EXPERT OBSERVER) PREPARED BRIEF LIST OF "HOMEWORK" AREAS WHERE FURTHER STUDY NECESSARY BY GOVERNMENTS IN PREPARATION FOR P/C DIALOGUE. DESPITE STRENUOUS EFFORT OF UK CHAIRMAN AND SEVERAL OF SMALLER DELS (PARTICULARLY SWISS, DUTCH, AND CANADIANS) TO MOVE SPC OUT IN FRONT OF OTHER STANDING GROUPS IN ORDER TO FORCE PACE TOWARDS OPENING OF P/C DIALOGUE, IT EVIDENT THAT LACK OF DECISIONS BY GOVERNMENTS IN THREE KEY SUBSTANTIVE AREAS ENUMERATED BY U.S. HAS LIMITED ABILITY OF SPC TO MOVE QUICKLY. IN CONTINUING ABSENCE OF COHERENT PROPOSALS FROM MEMBER GOVERNMENTS FOR PREPARATION OF DIALOGUE, AND LACK OF REALLY EFFECTIVE LEADERSHIP FROM CHAIRMAN, GROUP WILL CONTINUE TO FLOUNDER. END SUMMARY

2. FINANCIAL AND INVESTMENT ISSUES.
SECOND DAY'S MEETING OPENED WITH USEFUL PRESENTATION BY FAY, DEPUTY HEAD OF OECD ECONOMICS AND STATISTICS DEPARTMENT, ON ECONOMIC IMPACT OF OIL PRICE INCREASES ON INFLATION, BALANCE OF PAYMENTS, MONETARY SURPLUSES, ETC., AND BRIEF LISTING OF TOPICS IN ECONOMIC AND FINANCIAL AREA WHICH ALREADY UNDER STUDY IN OTHER FORA, AND THOSE WHICH MIGHT BE APPROPRIATE FOR IEA DISCUSSION. FAY STRESSED COMPLEXITIES OF FINANCIAL ISSUES INCLUDING PROBLEMS OF INDEXATION OF
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OIL PRICES AND FINANCIAL ASSETS (WHICH SUBJECT OF BRIEF, METHODOLOGICAL PAPER NOW BEING PREPARED BY SECRETARIAT UNDER SECGEN'S INITIATIVE), POSSIBLY FIGURING ON P/C AGENDA, AND SAID IN HIS VIEW IT WAS OPEN QUESTION WHERE, WITHIN IEA, COORDINATION OF CONSUMER POSITIONS ON THESE QUESTIONS SHOULD BE FOCUSED.

3. U.S. DEL SUGGESTED THAT WHILE USEFUL, DETAILED

EXPLORATION OF COMPLICATED FINANCIAL ISSUES LIKELY
LEAD GROUP ASTRAY OF MAIN TASK OF PREPARING LIST OF
OPTIONS ON APPROACH TO PREPARATORY CONFERENCE FOR
CONSIDERATION BY GOVERNING BOARD (GB). U.S. STRESSED
MAIN ISSUES FOR DISCUSSION AT SPC MEETING WERE: WHO
WILL HOST PREPCON; PARTICIPATION IN DIALOGUE; AND
AGENDA FOR PREPCON AND EVENTUAL CONFERENCE WITH
PRODUCERS.

4. MORNING'S DISCUSSION ALTERNATED BETWEEN PROCEDURAL
ISSUES, PRESSED BY U.S., AND INVESTMENT TOPICS URGED BY
CHAIRMAN AND SOME OTHERS, PARTICULARLY CANADIANS, SWISS
AND DUTCH. IN ABSENCE U.S. INVESTMENT PAPER, DISCUSSION
WAS UNFOCUSED AND INCONCLUSIVE AND AT END OF MORNING,
IEA DIRECTOR LANTZKE (IN EFFORT TERMINATE CONSIDERATION
OF THIS SUBJECT IN PLENARY) SUGGESTED FINANCIAL
EXPERTS MEET SEPARATELY TO ELABORATE WORKLIST OUTLINED
EARLIER BY FAY. LANTZKE COMPROMISE ADOPTED, LEAVING
PLENARY TO CONCENTRATE ON PROCEDURAL QUESTIONS.

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5. AT STRONG URGING OF FRG AND OTHERS, U.S. AGREED PROVIDE NON-EXPERT OBSERVER AT WORKING GROUP MEETING ON CLEAR UNDERSTANDING U.S. WOULD MAKE NO SUBSTANTIVE INPUT TO DISCUSSION. UNDER CAREFUL LEADERSHIP OF LANTZKE, EXPERTS MEETING AVOIDED GETTING INTO ANY SUBSTANTIVE DISCUSSION AND PRODUCED INNOCUOUS "HOMEWORK" LIST OF AREAS WHERE FURTHER STUDY NECESSARY IN PREPARATION FOR P/C DIALOGUE, FOR CONSIDERATION BY NEXT GB MEETING.

6. SPONSORSHIP.
SECOND AFTERNOON'S PLENARY DEVOTED TO DRAWING UP LIST OF POSSIBLE SPONSORSHIP OPTIONS (SEE PARA 7 BELOW). U.S. DEL STRESSED AT OUTSET THAT U.S. NOT COMMITTED TO FRENCH OR ANY OTHER APPROACH, AND LIST PREPARED FOR DISCUSSION AT GB SHOULD GIVE ADVANTAGES AND DIS-ADVANTAGES OF EACH ALTERNATIVE. FRG STATED FOR RECORD IT UNDER STRICT INSTRUCTIONS TO SUPPORT FRENCH PROPOSAL FOR PREPCON IN PARIS UNDER FRENCH SPONSORSHIP. MOST MEMBERS SUPPORTED U.S. POSITION THAT CONFERENCE MUST BE LIMITED IN SIZE TO BE EFFECTIVE, BUT SOME OF SMALLER NON-EC DELS, PARTICULARLY AUSTRIA, SPAIN, CANADA AND TURKEY, SAID THEY COULD NOT AGREE TO BE REPRESENTED BY

(FOR INSTANCE) EC REP, AS FRENCH PROPOSAL APPEARED TO IMPLY. AUSTRIAN REP SAID HE HAD RECEIVED DIRECT INSTRUCTIONS FROM CHANCELLOR KREISKY TO SUPPORT FRENCH SPONSORSHIP AND PARIS AS VENUE FOR PREPCON, BUT TO STATE CLEARLY AUSTRIAN UNWILLINGNESS BE REPRESENTED BY EC.

7. CHAIRMAN INFORMED GROUP OF NEW INFO FROM FRENCH TO EFFECT THAT, WHILE FRANCE INTENDS TO ISSUE INVITATIONS AND SPONSOR PREPCON, THIS DOES NOT MEAN THAT FRANCE EXPECTS TO PRESIDE AND HAVE SEPARATE SEAT AT PREPCON. SEVERAL DELS SUGGESTED THAT SPC SHOULD FIRST DEVELOP LIST OF CRITERIA FOR PARTICIPATION, AND THEN DECIDE ON SPECIFIC PARTICIPANTS. AFTER LENGTHY DISCUSSION, CHAIRMAN AGREED PUT ON PAPER FOR GB CONSIDERATION
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OPTIONS ON SPONSORSHIP DISCUSSED DURING MEETING. CHAIRMAN SUGGESTED THAT ALL MEMBERS WHO WISH PARTICIPATE AT PREPCON BE PREPARED SUBMIT SUGGESTIONS RE PARTICIPATION LIST AT NEXT GB MEETING. SPONSORSHIP LIST INCLUDES FOLLOWING OPTIONS: FRENCH; IEA CHAIRMAN; GOF/IEA CHAIRMAN CO-SPONSORS (OR GOF/BELGIUM, AS COUNTRY OF IEA CHAIRMAN - SUGGESTED BY DANES); IEA/OPEC CO-SPONSORS; NO SPECIFIC SPONSOR (SIC - A CANADIAN PROPOSAL); OECD/OPEC CO-SPONSORS. CANADIAN DEL PROPOSED, AND GROUP AGREED, THAT MEMBERS SHOULD AVOID PUBLIC STATEMENTS ON ALL PROCEDURAL ISSUES UNTIL AFTER NEXT GB MEETING.

8. AGENDA FOR PREPCON.
FINAL DAY'S SESSION FOCUSED FIRST ON DRAFT PROCEDURAL AGENDA FOR PREPCON DEVELOPED OVERNITE BY CHAIRMAN. TEXT ARRIVED AT AFTER AMENDMENT FOLLOWS:
"I) SETTLE ITS OWN PROCEDURE (E.G. CONSENSUS NOT MAJORITY VOTING)
II) AGENDA OF MAIN CONFERENCE
III) PARTICIPATION IN MAIN CONFERENCE; (STATUS OF OBSERVERS)
IV) MODALITIES FOR MAIN CONFERENCE (ONE CONFERENCE OR A SERIES OF MEETINGS WITH WORKING PARTIES IN BETWEEN, VENUE, TIMING, PRESIDENCY, ETC.)"
CHAIRMAN INDICATED HE PLANNED TO INCLUDE THIS PROPOSED TEXT IN HIS REPORT TO GB.

9. AGENDA FOR P/C CONFERENCE.
DISCUSSION THEN MOVED TO DISCUSSION OF POSSIBLE AGENDA TOPICS FOR MAIN CONFERENCE KEYED TO PAPER PREPARED BY CHAIRMAN. U.S. DEL NOTED AT OUTSET OF DISCUSSION THAT MAIN TASK OF GROUP WOULD BE TO AVOID BROADENING OF ISSUES BEYOND ENERGY AREA AT INSISTENCE

PRODUCER/LDC PARTICIPANTS, AND STRESSED THAT SPC SHOULD
FOCUS ITS EFFORTS ON LIST OF ISSUES ENUMERATED BY GB IN
ITS CHARGE TO SPC (E.G. PRICE, SECURITY OF SUPPLY, ETC.,
SET OUT IN GB REPORT PARAS 4(D)(2) AND (3)). U.S. DEL
SUGGESTED THAT GROUP SEPARATE CAREFULLY ISSUES OF
INTEREST TO CONSUMERS AND THOSE WHICH PRODUCERS LIKELY
TO STRESS IN ITS REPORT TO GB. TWO LISTS SHOULD NOT BE
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MIXED, EITHER IN DEVELOPMENT OR IN PRESENTATION TO GB
FOR CONSIDERATION. PRIMARY CONCERN OBVIOUSLY SHOULD BE
TO DEVELOP AGREEMENT ON CONSUMER LIST AND IT SHOULD NOT
BE FORMULATED IN SUCH A WAY THAT CONCESSIONS ARE
ALREADY BUILT IN. PRODUCERS CAN BE EXPECTED TO TAKE
CARE OF OWN ULTEREST IN NEGOTIATING AN AGENDA FOR MAIN

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CONFERENCE AND CONSUMERS SHOULD NOT TRY TO MAKE JOB EASIER FOR THEM. TURNING TO PAPER CIRCULATED BY CHAIRMAN, U.S. EXPRESSED SURPRISE THAT PRIMARY ISSUES OF PRICE AND SECURITY OF SUPPLY DID NOT APPEAR ON LIST OF TOPICS OF INTEREST TO CONSUMERS AND PRESSED FOR THEIR INCLUSION. U.S. ALSO SUGGESTED THAT LISTING OF TOPICS OF INTEREST TO PRODUCERS WENT FAR BEYOND OUR AREAS OF CONCERN AND NOTED THESE WERE ITEMS CONSUMERS SHOULD AT ALL COSTS STRIVE TO KEEP OFF AGENDA. U.S. POSITION WAS SUPPORTED BY FRG, SPAIN AND OTHERS.

10. CONSIDERABLE DISCUSSION ENSUED ON PROPOSAL BY SWISS AND NETHERLANDS THAT GROUP DECIDE WHETHER IT SHOULD ATTEMPT REACH AGREEMENT FIRST ON BROAD CONSUMER OBJECTIVES AT CONFERENCE BEFORE ATTEMPTING REACH AGREEMENT ON AGENDA ITSELF. (SWISS AND DUTCH TABLED OBJECTIVES PAPER WHICH CHAIRMAN WILL INCLUDE IN REPORT GB.) CHAIRMAN'S PROPOSED AGENDA PAPER AS AMENDED DURING DISCUSSION WILL BE INCLUDED IN REPORT TO GB.

11. AT CONCLUSION OF MEETING U.S., SUPPORTED BY OTHERS, OBTAINED AGREEMENT THAT CHAIRMAN WOULD SUMMARIZE IN WRITING OPTIONS ON ALL ASPECTS B P/C DIALOGUE

DISCUSSED AT SPC MEETING AND WOULD CIRCULATE TO MEMBER
CAPITALS WELL IN ADVANCE OF NEXT GB MEETING.
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